

**Before the
Public Service Commission of South Carolina**

Docket No. 2008-447-EG

**Petition of the Office of Regulatory Staff to Establish
Docket to Consider Implementing the Requirements
of Section 1307 (State Consideration of Smart Grid)
and Section 532 (Energy Efficiency Programs)
of the Energy Independence and Security Act of 2007**

**Testimony
of
Pia K. Powers**

**On Behalf Of
Piedmont Natural Gas Company, Inc.**



August 4, 2009

1 **Q. Ms. Powers, please state your name and business address.**

2 A. My name is Pia K. Powers. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. By whom and in what capacity are you employed?**

5 A. I am the Manager of Regulatory Affairs, for Piedmont Natural Gas
6 Company ("Piedmont" or the "Company").

7 **Q. Please describe your educational and professional background.**

8 A. I graduated from Fairfield University in Fairfield, Connecticut, with a B.A.
9 in Economics. I received a Master's Degree in Environmental and Resource
10 Economics from the University College London. From 1999 through 2003,
11 I was employed as an Economist with the Energy Information
12 Administration, the statistical agency of the U.S. Department of Energy,
13 where I focused on international energy forecasting and environmental
14 issues. I was hired by Piedmont as a Regulatory Analyst in 2003 and
15 promoted to Supervisor – Federal Regulatory in 2005. I was promoted to
16 my current position as Manager of Regulatory Affairs in 2006.

17 **Q. Ms. Powers, have you previously testified before this Commission or**
18 **any other regulatory authority?**

19 A. I have not previously filed testimony before the Public Service Commission
20 of South Carolina ("Commission") but I have recently filed testimony
21 before the North Carolina Utilities Commission in Docket No. G-100, Sub
22 88. That proceeding, like this one, relates to the potential adoption of
23 certain federal principles regarding energy conservation.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony in this proceeding is to explain Piedmont's
3 position on the provisions of Section 532 of the Energy Independence and
4 Security Act of 2007 ("EISA 2007") that require the Commission to
5 consider whether to adopt certain federal standards regarding energy
6 efficiency with respect to the Commission's regulation of natural gas
7 utilities in South Carolina.

8 **Q. Please explain the background for your testimony.**

9 A. EISA 2007 requires this Commission to determine whether to adopt certain
10 federal standards relating to the integration of energy efficiency resources
11 into natural gas planning, the adoption of policies that establish energy
12 efficiency as a priority resource for natural gas utilities, and the adoption of
13 certain rate design principles designed to promote energy efficiency by
14 natural gas utility customers.

15 **Q. Does Piedmont support these federal standards?**

16 A. As a general statement, Piedmont does support the substance of the federal
17 standards just as it supports all reasonable and responsible efforts to promote
18 the conservation and efficient use of energy from all sources.

19 **Q. Does this mean that Piedmont specifically recommends adoption of the**
20 **federal standards by the Commission in this docket?**

21 A. Not necessarily. Piedmont believes that the Commission is fully able to
22 address the principles set forth in EISA 2007 in discrete proceedings under
23 existing South Carolina law. Piedmont is confident that the Commission

1 will continue to review and make reasonable determinations regarding the
2 matters raised by EISA 2007 consistent with the public interest in current
3 and future proceedings at the state level. As such, Piedmont does not
4 perceive a need to adopt the federal standards at this time.

5 **Q. Please explain how the principles set forth in EISA 2007 are currently**
6 **addressed.**

7 A. Section 532(b)(5) of EISA 2007 asks the Commission to consider whether it
8 should require natural gas utilities in South Carolina to (a) integrate energy
9 efficiency resources into the plans and planning process of the natural gas
10 utility, and (b) adopt policies that establish energy efficiency as a priority
11 resource in the plans and planning of the natural gas utility. As a practical
12 matter, Piedmont already takes energy efficiency resources into account in
13 its plans and planning processes. For example, the actual and potential
14 impact of energy efficiency is expressly considered in Piedmont's long-
15 term, annual, and seasonal supply and capacity planning as well as its
16 demand and load growth calculations. Piedmont also actively promotes
17 conservation and energy efficiency by its customers through the use of
18 energy efficiency advertising and communications. Further, Piedmont is
19 actively working on the development of conservation programs for possible
20 implementation in South Carolina at this time and existing South Carolina
21 law provides ample authority for the Commission to approve such programs
22 without explicit adoption of the federal standards.

1 **Q. What about the rate design principles set forth in Section 532(b)(6) of**
2 **EISA 2007?**

3 A. Section 532(b)(6) of EISA 2007 requires the Commission to consider
4 whether to adopt rate designs that align utility incentives with the
5 deployment of cost-effective energy efficiency programs and whether to
6 adopt such specific rate design mechanisms as (a) the separation of fixed
7 cost recovery from sales or transportation volumes, (b) utility incentives to
8 promote conservation, (c) energy efficiency as a specific goal of retail rate
9 design, and (d) adoption of rate designs that promote energy efficiency for
10 each customer class. With respect to the first rate design principle,
11 Piedmont has margin decoupling in place in North Carolina, has recently
12 filed for margin decoupling in Tennessee, and is actively evaluating whether
13 such a mechanism or a similar rate design mechanism would be beneficial
14 and appropriate in South Carolina. If Piedmont ultimately determines that
15 such a mechanism would be appropriate in South Carolina and elects to
16 make such a proposal to the Commission, existing South Carolina law
17 provides a basis upon which the Commission can approve such a proposal.
18 The remaining rate design principles set forth in EISA 2007 pose more
19 complicated issues which, in Piedmont's view, are most appropriately
20 addressed in the form of specific proposals in discrete proceedings before
21 the Commission.

22 **Q. Does Piedmont favor the remaining principles?**

1 A. Piedmont believes that they all have some degree of merit but must be
2 examined in the context of discrete proposals to implement such principles.
3 For example, Piedmont believes that economic incentives are a positive and
4 powerful tool available to the Commission to promote utility programs and
5 behavior designed to enhance energy efficiency by the utility's customers.
6 To date, Piedmont has not proposed specific incentive programs for gas
7 energy efficiency but as Piedmont gains greater expertise and experience
8 with conservation and energy efficiency, Piedmont expects that this current
9 reality will change and various incentives may be proposed. Piedmont is
10 confident that the Commission will examine the public interest inherent in
11 such proposals at such time as they may be proposed.

12 **Q. What about designing rates for the purpose of promoting energy**
13 **efficiency?**

14 A. Like incentives, the idea of designing rates for the purpose of promoting
15 conservation and energy efficiency is a potentially powerful tool for natural
16 gas utilities but Piedmont believes that there are many unanswered questions
17 about how to effectuate such rate designs without causing unintended effects
18 or unfairly reallocating costs amongst customers that must be resolved
19 before such rate designs can be adopted. Further, and unlike electric
20 utilities, the costs associated with increased load for natural gas utilities tend
21 to be incremental in nature and customer specific thus reducing the overall
22 benefit of reduced consumption. Issues such as these are best resolved in
23 individual proceedings before the Commission.

1 **Q. What about the promotion of energy efficiency rate designs for all**
2 **customer classes?**

3 **A.** This is another example of an issue that is best resolved in the context of a
4 discrete proceeding before the Commission. As the Commission is aware,
5 industrial and process customers have a strong incentive to adopt
6 conservation measures in order to lower their costs of doing business. As a
7 result, many such customers are far ahead of the average residential or
8 commercial customer in terms of the efficient utilization of energy. Without
9 discrete examples of how to effectively promote increased conservation for
10 these types of customers fairly and equitably, it is difficult to know if the
11 promotion of such additional conservation can be achieved in a cost-
12 effective or reasonable manner.

13 **Q. What is Piedmont's ultimate position on the matters set for hearing in**
14 **this proceeding?**

15 **A.** Piedmont believes that the Commission should continue to address energy
16 efficiency and conservation issues relative to natural gas utilities in this
17 State in discrete proceedings brought before the Commission. Piedmont is
18 confident that the Commission will adopt appropriate and progressive
19 policies around energy efficiency and rate design as the need arises.

20 **Q. Do you have any general comments about energy efficiency and**
21 **conservation that you would like to share with the Commission?**

22 **A.** Yes. Piedmont has actively promoted a number of concepts relative to
23 conservation and efficiency in various state proceedings and at the federal

1 level which it would like to reiterate here. First, Piedmont believes that it is
2 important for energy providers and regulators alike to take reasonable
3 proactive measures to promote a decreased carbon footprint for the average
4 American consumer and for our society as a whole. Second, Piedmont
5 believes that the promotion of conservation of valuable energy resources as
6 a whole must be a priority for the Commission and for the public utilities
7 that provide those resources to the public. Third, Piedmont believes that the
8 Commission should encourage the alignment of customer and utility
9 interests with respect to energy efficiency and conservation while promoting
10 and rewarding actions that reduce the need for additional energy
11 consumption, where possible. Finally, Piedmont believes that the
12 Commission should view energy services and consumption on a holistic
13 basis and should actively promote the efficient and effective delivery of
14 energy resources to the public.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes it does.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the attached *Testimony of Pia K. Powers on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date electronically and via UPS Overnight (5 copies) upon:

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This the 4th day of August, 2009.

s/ James H. Jeffries IV
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